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JOHN SWETT UNIFIED
SCHOOL DISTRICT

COUNTY OF CONTRA COSTA
RODEO, CALIFORNIA

AUDIT REPORT

June 30, 2008

JOHN SWETT UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008

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JOHN SWETT UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008

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A Professional
Accountancy Corporation

Board of Trustees
John Swett Unified School District
Rodeo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the John Swett Unified School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the John Swett Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE

PH: 951.698.8783

FAX: 951.699.1064

25090 Jefferson Avenue

Murrieta, CA 92562

SAN DIEGO OFFICE

PH: 619.270.8222

FAX: 619.260.9085

2727 Camino Del Rio S.

Suite 219

San Diego, CA 92108

MEMBERS OF

- American Institute of CPAs
- California Society of CPAs
- California Association of School Business Officials
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WEBSITE

www.nnwcpa.com

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the John Swett Unified School District, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008 on our consideration of the John Swett Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 and budgetary comparison information on page 42 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise John Swett Unified School District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Nigro Nigro & White, PC

San Diego, California

December 5, 2008

Management's Discussion and Analysis

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

This discussion and analysis of John Swett Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets decreased 4.4% over the course of the year, primarily due to a deferred revenue liability of \$5.9 million to be received for an emergency repair state grant award.
- Overall government-wide revenues were \$16.4 million. Revenues were \$1.2 million less than expenses.
- The total cost of basic programs was approximately \$17.5 million.
- The District decreased its outstanding long-term debt \$305,706 or 2% over the prior year.
- Average daily attendance (ADA) in grades K-12 decreased by 14, or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

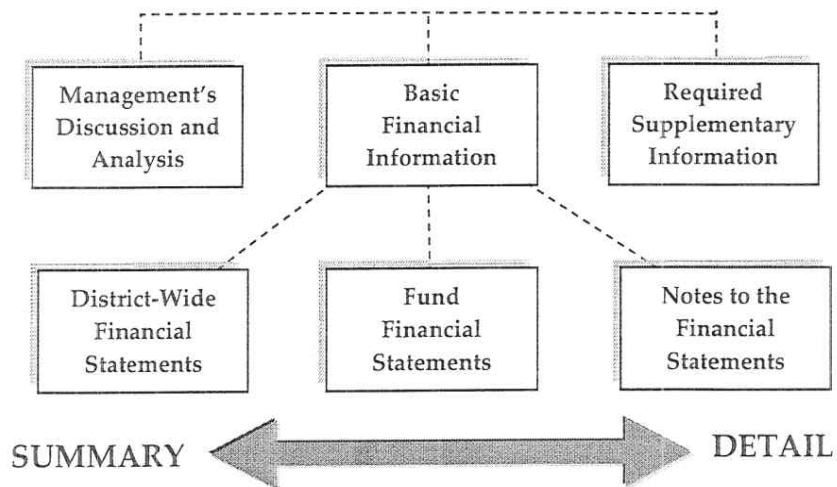
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of John Swett Unified School District's Annual Financial Report



JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets: The District's combined net assets were lower on June 30, 2008, than they were the year before – decreasing 4.4% to \$25.2 million. (See Table A-1).

Table A-1
John Swett Unified School District's Statement of Net Assets
(In dollars)

	Governmental Activities		Total Percentage Change
	2007	2008	2007-08
Current and other assets	\$ 15,824,375	\$ 20,624,252	30%
Capital assets	21,558,682	20,872,916	-3%
Total assets	37,383,057	41,497,168	11%
Other liabilities	999,402	6,436,650	544%
Long-term liabilities	10,061,643	9,891,882	-2%
Total liabilities	11,061,045	16,328,532	48%
Total net assets	\$ 26,322,012	\$ 25,168,636	-4%

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in net assets, governmental activities. The District's total revenues were \$16.4 million (See Table A-2). This is an increase of about \$3.1 million, which is due to a \$5.6 million payment back to the State for sale of school site funds that occurred in 2006-07.

The total cost of all programs and services was \$17.5 million. The District's expenses are predominantly related to educating and caring for students, 79%. The purely administrative activities of the District accounted for just 7% of total costs. The total costs increased by 9.6%, primarily due to increased maintenance projects and cost-of-living increases.

Table A-2
Changes in John Swett Unified School District's Net Assets
(In dollars)

	Governmental Activities		Total Percentage Change
	2007	2008	2007-08
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 345,061	\$ 349,051	1%
Operating grants and contributions	3,712,983	3,778,549	2%
Capital grants and contributions	(5,619,059)	-	100%
<i>General revenues</i>			
Property taxes	6,563,270	6,798,910	4%
State formula aid	5,275,403	4,709,547	-11%
Other revenues	3,017,041	720,526	-76%
Total revenues	13,294,699	16,356,583	23%
Expenses:			
Instruction-related	10,759,117	11,814,033	10%
Student support services	1,622,038	1,960,410	21%
Maintenance & operations	1,802,069	1,865,153	4%
Administration	1,169,655	1,243,166	6%
Other expenses	623,841	627,197	1%
Total expenses	15,976,720	17,509,959	10%
Change in net assets	\$ (2,682,021)	\$ (1,153,376)	-57%

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$14.3 million, which is less than last year's ending fund balance of \$14.9 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments from original to final budget fall into these categories:

- Revenues – increased by \$2 million primarily to reflect federal and state budget actions and rebudget carryover funds
- Salaries and benefits costs – increased about \$.16 to reflect a projected increase in other outgo and other operating expenditures

While the District's final budget for the General Fund anticipated revenues would exceed expenditures by \$308,318, the actual results for the year show that revenues actually fell short of expenditures by \$766,155. Actual revenues were \$5.1 million less than anticipated, but expenditures were \$3.9 million less than budgeted.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested over \$33 million in capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements.)

Table A-3
John Swett Unified School District's Capital Assets

	Governmental Activities (In dollars)		Total Percentage Change
	2007	2008	2007-08
Land	\$ 1,619,089	\$ 1,619,089	0%
Site Improvements	3,730,657	3,746,507	0%
Buildings	27,358,025	27,325,318	0%
Equipment and furniture	344,101	434,957	26%
Work in progress	137,691	261,257	90%
Total	<u>\$ 33,189,563</u>	<u>\$ 33,387,128</u>	1%

Long-Term Debt

At year-end the District had \$9.9 million in general obligation bonds, capital leases, and compensated absences – a decrease of 2% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table A-4
John Swett Unified School District's Long-Term Debt

	Governmental Activities (In dollars)		Total Percentage Change
	2007	2008	2007-08
General obligation bonds	\$ 9,735,160	\$ 9,585,000	-2%
Capital leases	280,591	244,808	-13%
G.O. bond premium	-	14,366	100%
Compensated absences	45,892	47,708	4%
Total	<u>\$ 10,061,643</u>	<u>\$ 9,891,882</u>	-2%

JOHN SWETT UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FACTORS BEARING ON THE DISTRICT'S FUTURE

On September 23, 2008, Governor Schwarzenegger signed the 2008-09 Budget, ending the longest budget stalemate in California's history. The final spending plan includes \$24.0 billion of "solutions", including \$10.3 billion in spending cuts, \$9.6 billion in revenue-related provisions, and \$4.0 billion in borrowing.

The final budget agreement includes:

- A total of \$10.3 billion in spending reductions, including \$3.3 billion in cuts to "base" K-14 education spending.
- Changes to the budget process that would substantially increase the size of the state's reserve and limit the use of future revenues that exceed anticipated levels. The agreement also would give governors vast new power to unilaterally reduce spending midway through the budget year.
- Assumes that the state will issue bonds backed by lottery proceeds in 2009-10. The budget agreement includes provisions aimed at doubling the amount Californians spend on lottery purchases and would replace schools' allocation from lottery proceeds with a General Fund appropriation equivalent to the amount allocated to education from the lottery in 2008-09. The General Fund allocation for education would increase over time based on enrollment and per capita personal income growth.
- A one-time shift of \$350 million in property tax revenues from redevelopment agencies to schools and a commensurate reduction in state General Fund support for schools and community colleges.

As signed by the Governor, the 2008-09 Budget provides \$58.1 billion in funding for K-14 education programs under the Proposition 98 guarantee. The Budget reduces "base" K-14 education spending by \$3.3 billion.

The 2008-09 Budget and related legislation:

- Provide a 0.68 percent COLA to fund revenue limits for school districts and county offices of education, which is below the 5.66 percent statutory COLA and the 2.12 percent COLA proposed by the Conference Committee. The 2008-09 Budget does not provide a COLA for categorical programs, such as class size reduction and instructional materials.
- Do not provide \$150 million in 2008-09 Proposition 98 "settle-up" funds needed to meet prior-year Proposition 98 obligations.
- Proposed to modify Proposition 49, the After School Education and Safety Program (ASES) Act, by submitting a ballot measure to voters in November 2008. However, the Governor vetoed the bill that would have submitted the measure to voters. The measure would have removed Proposition 49's minimum funding level of \$550 million and would have allowed annual ASES budgeting decisions to be made by the Legislature.

JOHN SWET UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (510) 245-4300.

Financial Section

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

	Total Governmental Activities
ASSETS	
Cash	18,696,621
Accounts receivable	1,348,165
Investments	506,292
Prepaid expenses	73,174
Capital assets:	
Land	1,619,089
Improvement of sites	3,746,507
Buildings	27,325,318
Furniture and equipment	434,957
Work in progress	261,257
Less accumulated depreciation	(12,514,212)
Total capital assets, net of depreciation	20,872,916
Total assets	<u>\$ 41,497,168</u>
LIABILITIES	
Accounts payable and current liabilities	491,568
Deferred revenues	5,945,082
Long-term liabilities:	
Portion due or payable within one year	
General obligation bonds payable	160,000
Bond Premium	794
Capital leases payable	36,805
Portion due or payable after one year	
General obligation bonds payable	9,425,000
Bond Premium	13,572
Capital leases payable	208,003
Compensated Absences	47,708
Total liabilities	<u>16,328,532</u>
NET ASSETS	
Invested in capital assets, net of related debt	11,028,526
Restricted for:	
Capital projects	8,327,095
Categorical programs	1,610,783
Debt Service	395,779
Unrestricted	<u>3,806,453</u>
Total Net Assets	<u>25,168,636</u>

The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

					Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional Services:					
Instruction	\$ 10,116,552	\$ 91,122	\$ 2,200,374	\$ -	\$ (7,825,056)
Instruction-Related Services:					
Supervision of instruction	393,028	323	187,145	-	(205,560)
Instructional library, media and technology	165,885	1,721	58,566	-	(105,598)
School site administration	1,138,568	42	4,135	-	(1,134,391)
Pupil Support Services:					
Home-to-school transportation	713,363	46,396	252,516	-	(414,451)
Food services	579,783	176,312	371,148	-	(32,323)
All other pupil services	667,264	-	193,120	-	(474,144)
General Administration Services:					
Data processing services	106,843	4,133	12,512	-	(90,198)
Other general administration	1,136,323	9,991	93,308	-	(1,033,024)
Plant services	1,865,153	581	325,277	-	(1,539,295)
Ancillary services	84,083	-	-	-	(84,083)
Community services	51,779	-	-	-	(51,779)
Interest on long-term debt	487,288	-	-	-	(487,288)
Other outgo	4,047	18,430	80,448	-	94,831
Total Governmental Activities	\$ 17,509,959	\$ 349,051	\$ 3,778,549	\$ -	\$ (13,382,359)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					6,114,919
Property taxes, levied for debt service					604,900
Property taxes, levied for special purposes					79,091
Federal and state aid not restricted to specific purpose					4,709,547
Interest and investment earnings					571,197
Miscellaneous					149,329
Total general revenues					12,228,983
Change in net assets					(1,153,376)
Net assets - July 1, 2007					26,322,012
Net assets - June 30, 2008					\$ 25,168,636

The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2008

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,141,830	\$ 14,088,295	\$ 1,466,496	\$ 18,696,621
Accounts receivable	1,281,242	1,812	65,111	1,348,165
Investments	490,740	-	15,552	506,292
Total Assets	<u>\$ 4,913,812</u>	<u>\$ 14,090,107</u>	<u>\$ 1,547,159</u>	<u>\$ 20,551,078</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 166,833	\$ 103,696	\$ 29,593	\$ 300,122
Deferred revenue	30,568	5,914,514	-	5,945,082
Total Liabilities	<u>197,401</u>	<u>6,018,210</u>	<u>29,593</u>	<u>6,245,204</u>
Fund Balances				
Reserved for:				
Revolving cash	4,000	-	-	4,000
Categorical programs	1,610,783	-	-	1,610,783
Unreserved; reported in:				
General fund	3,101,628	-	-	3,101,628
Special revenue funds	-	-	866,589	866,589
Debt Service	-	-	395,779	395,779
Capital project funds	-	8,071,897	255,198	8,327,095
Total Fund Balances	<u>4,716,411</u>	<u>8,071,897</u>	<u>1,517,566</u>	<u>14,305,874</u>
Total Liabilities and Fund Balances	<u>\$ 4,913,812</u>	<u>\$ 14,090,107</u>	<u>\$ 1,547,159</u>	<u>\$ 20,551,078</u>

The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds	\$ 14,305,874
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Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$33,387,128 and the accumulated depreciation is (\$12,514,212).

	20,872,916
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In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

	73,174
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

	(191,446)
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In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	9,584,206	
Compensated absences payable	47,708	
Capital leases payable	244,808	
Other general long term debt	15,160	(9,891,882)

Total net assets - governmental activities	\$ 25,168,636
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The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2008

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
General Revenues:				
Taxes levied for general purposes	\$ 6,114,919	\$ -	\$ -	\$ 6,114,919
Taxes levied for debt service	-	-	604,901	604,901
Taxes levied for other specific purposes	-	79,091	-	79,091
Federal and state aid not restricted to specific purpose	4,709,547	-	-	4,709,547
Earnings on investments	235,142	317,117	18,939	571,197
Miscellaneous	123,531	-	25,798	149,329
Program Revenues:				
Charges for services	165,719	-	183,332	349,051
Operating grants and contributions	3,143,299	157,439	477,812	3,778,549
Total revenues	14,492,156	553,647	1,310,782	16,356,584
EXPENDITURES				
Instructional Services:				
Instruction	9,519,534	-	-	9,519,534
Instruction-Related Services:				
Supervision of instruction	373,587	-	-	373,587
technology	165,837	-	-	165,837
School site administration	1,069,433	-	-	1,069,433
Pupil Support Services:				
Home-to-school transportation	713,363	-	-	713,363
Food services	-	-	543,060	543,060
All other pupil services	666,781	-	-	666,781
General Administration Services:				
Data processing services	106,843	-	-	106,843
Other general administration	981,527	-	19,832	1,001,359
Plant services	1,526,479	154,122	58,662	1,739,263
Facility acquisition and construction	892	367,418	(20,195)	348,115
Ancillary services	84,083	-	-	84,083
Other outgo:				
Debt service - principal	35,566	-	135,000	170,566
Debt service - interest	14,386	-	475,565	489,951
Total Expenditures	15,258,311	521,540	1,211,924	16,991,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(766,155)	32,107	98,858	(635,191)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	73,936	66,408	73,936	214,280
Interfund transfers out	(98,593)	(73,936)	(41,751)	(214,280)
Total Other Financing Sources and Uses	(24,657)	(7,528)	32,185	-
Net Change in Fund Balances	(790,812)	24,579	131,042	(635,191)
Fund Balances, July 1, 2007	5,507,223	8,047,318	1,386,524	14,941,065
Fund Balances, June 30, 2008	\$ 4,716,411	\$ 8,071,897	\$ 1,517,566	\$ 14,305,874

The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008

Total net change in fund balances - governmental funds	\$	(635,191)
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Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures \$197,781 and depreciation expense (\$883,331) in the period.		(685,550)
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Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		170,566
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Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:		(4,047)
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In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		1,867
--	--	-------

In the statement of activities, compensated absences are measured by the amounts <i>earned</i> during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually <i>paid</i> .)		(1,815)
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Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		794
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Change in net assets of governmental activities	\$	(1,153,376)
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The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2008

	Agency Funds
	Student
	Body Funds
ASSETS	
Cash	\$ 98,242
Total Assets	<u>\$ 98,242</u>
LIABILITIES	
Due to Student Groups	\$ 98,242
Total Liabilities	<u>\$ 98,242</u>

The notes to the financial statements are an integral part of this statement.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable, but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds, as follows:

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Reserve for Capital Outlay Fund* is used to account for funds set aside for capital outlay projects.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds:

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Capital Projects Funds are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains three non-major capital project funds:

1. The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
2. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
3. The County School Facilities Fund is used to account for state apportionments provided for modernization of school facilities under SB50.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one debt service fund:

1. The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

	Governmental funds	Fiduciary funds
Cash in county treasury	\$ 18,692,621	\$ -
Cash on hand and in banks	-	98,242
Cash in revolving fund	4,000	-
Total deposits	<u>\$ 18,696,621</u>	<u>\$ 98,242</u>
Investments	<u>\$ 506,292</u>	<u>\$ -</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Investments- The investments are held with the Local Agency Investment Fund (LAIF). The program is offered to local agencies and is also part of the Pooled Money Investment Account (PMIA). The investment has a fair market value of \$506,269 and an amortized book value of \$506,292. The interest rate for the investment is 3.11%.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately \$18,734,013 and an amortized book value of \$18,696,621. The average weighted maturity for this pool is 118.13 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Contra Costa County Investment Pool is rated at least A by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District was not exposed to custodial credit risk.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 consist of the following:

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Revenues:				
Categorical aid	\$ 365,909	\$ -	\$ 64,992	\$ 430,901
State Revenues:				
Apportionment	469,530	-	-	469,530
Categorical aid	282,518	-	-	282,518
Lottery	45,650	-	-	45,650
Local Revenues:				
Interest	-	1,812	120	1,932
Other local	117,635	-	-	117,635
Total	<u>\$ 1,281,241</u>	<u>\$ 1,812</u>	<u>\$ 65,112</u>	<u>\$ 1,348,165</u>

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 4 - INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2007-08 fiscal year are as follows:

	Transfers To Other Funds			Total
	General Fund	Special Reserve for Capital Outlay Fund	Other Governmental Funds	
General Fund	\$ -	\$ 73,936	\$ -	\$ 73,936
Special Reserve for Capital Outlay Fund	24,657	-	41,751	66,408
Other Governmental Funds	73,936	-	-	73,936
	<u>\$ 98,593</u>	<u>\$ 73,936</u>	<u>\$ 41,751</u>	<u>\$ 214,280</u>

Transfer from the General Fund to the Deferred Maintenance Fund for the state match	\$ 73,936
Transfer from the General Fund to the Special Reserve for Capital Outlay Outlay Projects Fund for a FEMA reimbursement of expenditures related to the flood of January 2006	24,657
Transfer from the County School Facilities Fund to the Special Reserve for Capital Outlay Projects Fund for overaccrued expenditures funded by a prior year interfund transfer	41,751
Transfer from the Special Reserve for Capital Outlay Fund to the General Fund for redevelopment agency fees to fund the deferred maintenance match	73,936
Total	<u>\$ 214,280</u>

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 5 – FUND BALANCES

The following amounts were designated by the Board of Education for the purposes below:

	<u>General Fund</u>
Revolving Cash	\$ 4,000
Restricted Programs	<u>1,610,783</u>
Total Reserved	<u>1,614,783</u>
Unreserved:	
Designated:	
Economic Uncertainties	490,710
Lottery - Resource 1100	35,434
Site Grants & Donations	<u>536,463</u>
Total Designated	<u>1,062,608</u>
Undesignated	<u>2,039,021</u>
Total	<u><u>\$ 4,716,411</u></u>

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 is shown below:

	Beginning Balance July 1, 2007	Additions	Deletions	Ending Balance June 30, 2008
Land	\$ 1,619,089	\$ -	\$ -	\$ 1,619,089
Site improvements	3,730,657	15,850	-	3,746,507
Buildings and improvements	27,358,025	-	32,707	27,325,318
Furniture and equipment	344,101	90,856	-	434,957
Work in progress	137,691	123,566	-	261,257
Total at historical cost	\$ 33,189,563	\$ 230,272	\$ 32,707	\$ 33,387,128
Less accumulated depreciation:				
Site improvements	2,375,547	197,482	-	2,573,029
Buildings	9,020,464	641,787	-	9,662,251
Furniture and equipment	234,870	44,062	-	278,932
Total accumulated depreciation	11,630,881	883,331	-	12,514,212
Governmental activities capital assets, net	\$ 21,558,682	\$ (653,059)	\$ 32,707	\$ 20,872,916

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 597,234
Instructional Services and Administration	19,262
School Site Administration	68,785
Food Services	36,722
Community Services	51,779
All Other General Administration	100,628
Plant Services	8,921
Total Depreciation Expense	\$ 883,331

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
General obligation bonds	\$ 9,720,000	\$ -	\$ 135,000	\$ 9,585,000	\$ 160,000
General obligation bond premium	15,160	-	794	14,366	794
Compensated absences	45,893	1,815	-	47,708	-
Capital leases	280,592	-	35,784	244,808	36,805
Totals	<u>\$ 10,061,645</u>	<u>\$ 1,815</u>	<u>\$ 171,578</u>	<u>\$ 9,891,882</u>	<u>\$ 197,599</u>

A. General Obligation Bonds

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on March 5, 2002, at which more than 55% of the voters authorized the issuance and sale of \$10 million of general obligation bonds to finance the building, equipment, and furnishing of a new elementary school.

On June 26, 2002, the District issued Series A General Obligation Bonds in the amount of \$10,000,000. The issue consists of a), serial bonds in the amount of \$7,815,000 with a stated interest rate ranging from 3% to 5% and fully maturing on August 1, 2023, and b), term bonds in the amount of \$2,185,000 with a stated interest rate of 5.5% and fully maturing on August 1, 2026.

The annual requirements to amortize the general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2008-2009	\$ 160,000	\$ 472,868	\$ 632,868
2009-2010	185,000	466,867	651,867
2010-2011	210,000	459,468	669,468
2011-2012	240,000	451,067	691,067
2012-2013	270,000	441,468	711,468
2013-2018	1,870,000	2,010,115	3,767,258
2018-2023	3,045,000	1,456,625	4,370,375
2023-2026	3,605,000	512,775	5,073,350
Totals	<u>\$ 9,585,000</u>	<u>\$ 6,271,253</u>	<u>\$ 16,567,721</u>

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Capital Leases

The District leases equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2008-09	\$ 49,056
2009-10	48,556
2010-11	48,056
2011-12	47,556
2012-13	47,112
2013-14	46,612
Total	<u>286,948</u>
Less Amount Representing Interest	<u>(42,140)</u>
Present Value of Minimum Lease Payments	<u>\$ 244,808</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – JOINT VENTURES

The John Swett Unified School District participates in three joint powers agreement (JPA) entities, the East Bay Schools Insurance Group (EBSIG) for property and liability insurance, the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance, and the Schools' Self Insurance of Contra Costa County (SSICCC) for dental and vision insurance.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the John Swett Unified School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the John Swett Unified School District and the JPAs are such that none of the three JPAs is a component unit of the District for financial reporting purposes. Current financial information for EBSIG and SSICCC can be obtained by contacting each JPA's management. Condensed current financial information of the CCCSIG JPA is shown below:

	CCCSIG
	Audited
	June 30, 2007
Assets	<u>\$ 86,224,874</u>
Liabilities	<u>83,775,445</u>
Net Assets	<u>\$ 2,449,429</u>
Revenues	\$ 31,158,254
Expenses	<u>33,198,974</u>
Operating Income	(2,040,720)
Non-Operating Income	<u>3,608,363</u>
Change in Net Assets	<u>\$ 1,567,643</u>

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to the theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2007-08, the District participated in three joint powers authorities (JPA's) for purposes of pooling for risk. There have been no significant decreases in coverage during the year. See Note 8 for more information on the JPA's.

NOTE 11 - EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

Public Employees' Retirement System (PERS) (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2007-08 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$164,834, \$184,177, and \$135,966, respectively, which represents 100% of the required contributions for each fiscal year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$557,050, \$515,583, and \$455,592, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$428,654 to STRS (4.517% of salaries subject to STRS in 2007-08 and 2.237% of salaries subject to STRS in 2003-04).

JOHN SWETT UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 12 – POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the benefits described in Note 11, the District provides post employment health care benefits to all eligible retirees. The District pays the insurance premiums to maintain the level of coverage enjoyed by the employee immediately preceding retirement, until the age of 65. Currently, 23 retirees meet these eligibility requirements. During the fiscal year, the District incurred expenditures of \$389,741 for post employment health care benefits. The district also contributes a minimum amount as required by CalPERS for retirees over the age of 65.

NOTE 13 –GASB STATEMENT NO. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the John Swett Unified School District beginning in the 2008-09 fiscal year. The District is in the processing of conducting an actuarial valuation to determine the effect of this pronouncement on the financial condition of the District.

NOTE 14- EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures in excess of appropriations in the governmental funds for the fiscal year 2007-08 were as follows:

General Fund	Amount
Certificated Salaries	\$ 13,338
Direct Support/Indirect Costs	19,869

Required Supplementary Information

JOHN SWETT UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Revenue Limit Sources	\$ 14,109,516	\$ 15,468,781	9,943,288	\$ (5,525,493)
Federal	806,449	926,816	824,225	(102,591)
Other State	1,333,802	1,665,004	2,186,297	521,293
Other Local	1,278,771	1,484,872	1,538,346	53,474
Total Revenues	17,528,538	19,545,473	14,492,156	(5,053,317)
Expenditures				
Certificated Salaries	6,729,668	6,786,017	6,799,355	(13,338)
Classified Salaries	2,113,082	2,139,661	2,095,443	44,218
Employee Benefits	3,118,985	3,189,715	3,144,845	44,870
Books and Supplies	511,437	584,223	584,223	-
Services and Other Operating Expenditures	2,648,315	2,983,959	2,604,325	379,634
Capital Outlay	-	1,054	-	1,054
Direct Support/Indirect Costs	-	37	(19,832)	(19,869)
Other Outgo	49,952	49,952	49,952	-
Total Expenditures	15,171,439	15,734,618	15,258,311	436,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,357,099	3,810,855	(766,155)	(4,616,748)
Other Financing Sources and Uses				
Interfund Transfers In	73,936	73,936	73,936	-
Interfund Transfers Out	(98,593)	(98,593)	(98,593)	-
Total Other Financing Sources and Uses	(24,657)	(24,657)	(24,657)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,332,442	3,786,198	(790,812)	(4,616,748)
Fund Balances, July 1, 2007	5,507,223	5,507,223	5,507,223	-
Fund Balances, June 30, 2008	\$ 7,839,665	\$ 9,293,421	\$ 4,716,411	\$ (4,616,748)

Supplementary Information Section

JOHN SWETT UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2008

The John Swett Unified School District is located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, one middle school, one high school and one alternative education center.

GOVERNING BOARD		
Member	Office	Term Expires
Norma Clerici	President	2008
William Concannon	Clerk	2010
Holly Myers	Member	2008
Brian Colombo	Member	2010
Benita Shaw-Malone	Member	2008

DISTRICT ADMINISTRATORS

Michael Roth
Superintendent

Bryan Richards
Business Manager

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2008

	Second Period Report	Annual Report
Elementary:		
Kindergarten	109	109
Grades 1 Through 3	350	350
Grades 4 Through 6	319	320
Grades 7 and 8	248	247
Opportunity Schools	5	6
Special Education	44	45
Total Elementary	1,075	1,076
Secondary:		
Grades 9 Through 12, regular classes	500	492
Continuation Education	17	17
Home and Hospital	2	2
Opportunity Schools	2	2
Special Education	35	33
Total Secondary	557	546
Total Average Daily Attendance	1,632	1,622
	Hours of Attendance	
<u>Supplemental Instruction Hours</u>		
Elementary	19,857	
Secondary	10,493	

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
June 30, 2008

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days	
				Traditional Calendar	Status
Kindergarten	31,500	36,000	43,860	180	Complied
Grade 1	43,920	50,400	52,380	180	Complied
Grade 2	43,920	50,400	52,380	180	Complied
Grade 3	43,920	50,400	52,380	180	Complied
Grade 4	50,423	54,000	54,000	180	Complied
Grade 5	50,423	54,000	54,000	180	Complied
Grade 6	50,423	54,000	55,950	180	Complied
Grade 7	50,423	54,000	55,950	180	Complied
Grade 8	50,423	54,000	55,950	180	Complied
Grade 9	64,890	64,800	67,405	180	Complied
Grade 10	64,890	64,800	67,405	180	Complied
Grade 11	64,890	64,800	67,405	180	Complied
Grade 12	64,890	64,800	67,405	180	Complied

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2008

General Fund	(Budget) 2009**	2008	2007	2006
Revenues and other financing sources	\$ 13,883,431	\$ 14,566,092	\$ 15,210,747	\$ 13,634,076
Expenditures	14,942,241	15,258,311	13,765,242	13,136,685
Other uses and transfers out	75,087	98,593	72,727	65,809
Total outgo	15,017,328	15,356,904	13,837,969	13,202,494
Change in fund balance (deficit)	(1,133,897)	(790,812)	1,372,778	431,582
Ending fund balance	\$ 3,582,514	\$ 4,716,411	\$ 5,507,223	\$ 4,134,445
Available reserves*	\$ 1,440,274	\$ 2,529,731	\$ 2,455,991	\$ 2,283,458
Available reserves as a percentage of total outgo	9.6%	16.5%	17.7%	17.3%
Total long-term debt	\$ 9,694,283	\$ 9,891,882	\$ 10,061,643	\$ 10,197,588
Average daily attendance at P-2	1,623	1,632	1,647	1,684

The General Fund balance has increased and decreased by a net gain of \$ 581,966 over the past two year
The fiscal year 2008-09 adopted budget projects a decrease of \$1,133,897. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

** Adopted September 2008

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA	Pass-Through Entity Identifying	Federal
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
Needy School Breakfast	10.553	13526	\$ 98,323
National School Lunch	10.555	13523	251,326
Commodities	10.558	N/A	26,789
Total U.S. Department of Agriculture			<u>376,437</u>
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I - Grants to Local Educational Agencies	84.010	14329	246,237
Title II - Teacher Quality	84.367	14341	70,468
Title II - Enhancing Education Through Technology	84.318	14334	4,115
Title III - LEP	84.365	10084	39,512
Title IV - 21st Century Community Learning Centers	84.287	14349	112,880
Title IV - Safe and Drug Free Schools	84.186	14347	772
Title V - Part A, Innovative Ed. Strategies	84.298	14354	1,489
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance, Part B	84.027	13379	298,475
Preschool Federal	84.173	13430	6,752
Preschool Local Entitlements, Part B	84.027A	13682	14,919
Cal Perkins Act	84.048	13924	11,884
Total U.S. Department of Education			<u>807,502</u>
U.S. Department of Homeland Security:			
Passed through California Dept. of Education (CDE):			
FEMA Public Assistance Funds	97.036	10014	24,567
Total U.S. Department of Homeland Security			<u>24,567</u>
Total Expenditures of Federal Awards			<u>\$ 1,208,506</u>

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements
Year Ended June 30, 2008

There were no differences between the annual financial and budget report and the audited financial statements.

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Excess Sick Leave
June 30, 2008

Section 19855.3 (a)(3)(c) disclosure

John Swett Unified School District provides more than 12 sick leave days in a school year to the following groups of employees who are CalSTRS members:

1. Superintendent

See accompanying note to supplementary information.

JOHN SWETT UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2008

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Sub recipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to sub recipients.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Excess Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

Other Independent Auditors' Reports



A Professional
Accountancy Corporation

Board of Trustees
John Swett Unified School District
Rodeo, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of John Swett Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE

PH: 951.698.8783

FAX: 951.699.1064

25090 Jefferson Avenue

Murrieta, CA 92562

SAN DIEGO OFFICE

PH: 619.270.8222

FAX: 619.260.9085

2727 Camino Del Rio S.

Suite 219

San Diego, CA 92108

MEMBERS OF

- American Institute of CPAs
- California Society of CPAs
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- Community Associations Institute

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered John Swett Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the John Swett Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the John Swett Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

We consider findings #2008-1 through #2008-3 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we do not believe that the significant deficiencies described in the accompanying schedule are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether John Swett Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings and questioned costs as finding #2008-4.

John Swett Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit John Swett Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rigoberto R. White, PC

San Diego, California
December 5, 2008



A Professional
Accountancy Corporation

Board of Trustees
John Swett Unified School District
Rodeo, California

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of John Swett Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. John Swett Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of John Swett Unified School District's management. Our responsibility is to express an opinion on John Swett Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about John Swett Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on John Swett Unified School District's compliance with those requirements.

In our opinion, John Swett Unified School District, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Jeff Nigro, CPA
Elizabeth Nigro, CPA
Christy White, CPA

MURRIETA OFFICE
PH: 951.698.8783
FAX: 951.699.1064
25090 Jefferson Avenue
Murrieta, CA 92562

SAN DIEGO OFFICE
PH: 619.270.8222
FAX: 619.260.9085
2727 Camino Del Rio S.
Suite 219
San Diego, CA 92108

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However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as finding #2008-4.

Internal Control Over Compliance

The management of John Swett Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered John Swett Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

John Swett Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit John Swett Unified School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, others within the entity, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
December 5, 2008



A Professional
Accountancy Corporation

Board of Trustees
John Swett Unified School District
Rodeo, California

AUDITORS' REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the John Swett Unified School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Not applicable
Regional Occupational Centers and Programs	6	Not applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction Program	7	Yes

Jeff Nigro, CPA

Elizabeth Nigro, CPA

Christy White, CPA

MURRIETA OFFICE

PH: 951.698.8783

FAX: 951.699.1064

25090 Jefferson Avenue

Murrieta, CA 92562

SAN DIEGO OFFICE

PH: 619.270.8222

FAX: 619.260.9085

2727 Camino Del Rio S.

Suite 219

San Diego, CA 92108

MEMBERS OF

- American Institute of CPAs
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WEBSITE

www.nnwcpa.com

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Not applicable
Excess Sick Leave	3	Yes
Notice of Right to Elect CalSTRS Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Mathematics and Professional Reading Development	4	Yes
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

Based on our audit, we found that, for the items tested, the John Swett Unified School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the John Swett Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
December 5, 2008

Findings and Questioned Costs Section

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553-10.555	NSLP Cluster
84.027	Special Education Cluster: IDEA

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2008-1: Associated Student Body (ASB) Accounting (30000)

In our audit of internal controls over ASB funds we noted the following deficiencies:

Carquinez Middle School:

- A budget is not prepared and adopted by the Student Council
- Pre-numbered cash receipts are not used for all fundraising activities
- There is lack of segregation of duties since the bookkeeper collects and deposits cash and posts entries to the books. Lack of adequate segregation of duties provides an opportunity for the misappropriation of cash.

John Swett High:

- A budget is not prepared and adopted by the Student Council
- Supporting documentation for one invoice paid to Bucks Bags for \$1,531 not found
- Cash was deposited for the homecoming dance but we found no support that the amount deposited was reconciled to tickets sold, any cash over or short would go undetected

Rodeo Hills Elementary:

- Good cash receipting procedures, including the use of pre-numbered receipts, are not being used consistently

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)

Recommendation: We recommend that all ASBs follow the standards and procedures in the FCMAT Associated Student Accounting manual, which would address each of the deficiencies noted above.

District Response: The district has sent ASB bookkeepers to FCMAT training in order to be in compliance with accounting procedures and will continue to improve procedures along the way.

Finding #2008-2: Cafeteria Cash Handling (30000)

The lead food service worker at each site receives cash, counts the cash, prepares and makes the deposit. This lack of segregation of duties could lead to the misappropriation of cash without detection. There used to be a person that would recount and make the deposit but the position was lost in budget cuts.

Recommendation: We recommend that lead food service worker and the district food services administrator count the cash and document their agreement on the deposit slip and on the bank deposit worksheet from the Mealtime POS system.

District Response: As per the district food services administrator, she is going to perform the second count and document agreement on all the necessary supporting documentation daily.

Finding #2008-3: Cafeteria Sales Reports (30000)

A daily inventory of meals served is taken but not reconciled to the daily sales report. The sales report includes a la carte sales but this does not account for the entire variance. Reconciling the meals served to the sales report (which includes free, reduced, and paid meals) will help to ensure all meals and funds collected is accounted for on a daily basis.

Recommendation: Include the al a carte sales reconciliation with the total food services sales reconciliation for the day and reconcile daily to ensure agreement of sales and cash collected with deposit and document any cash overage or shortage.

District Response: As per the district food services administrator, the sites are reconciling the al a carte sales but they were subtracting out from total sales which caused the variance in the daily reconciliations. The sites are aware of the issue and will reconcile daily sales correctly.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

Finding #2008-4: Free and Reduced Meal Applications (50000)

Federal Program: National School Lunch, 10.553-10.555

Criteria: The federal compliance supplement requires the entity to verify current free and reduced price eligibility of households. The total number of approved applications is based on total number of approved applications. These requirements can be found on the USDA website, www.fns.usda.gov/cnd/Lunch/default.htm

Condition: At Carquinez Middle School, 4 out of 20 sampled pupils were incorrectly classified as free (should be reduced). We performed an additional test at year end and selected 30 free and reduced applications and traced to system to verify correct classification. 1 out of 30 was classified as free and should have been reduced. 5 out of 50, or 10% of students tested were inaccurately classified.

Questioned Costs: Maximum:

National School Lunch: 5 students* 180 days*.40(free-reduced: \$2.49-2.09) = \$360

Effect: Non-compliance with eligibility requirement

Recommendation: We recommend that the district perform an internal audit of the free and reduced meal applications to determine correct classification. Claim forms should be revised and resubmitted

District Response: The District is aware of the problem and intends to take corrective action. The food services department has recently brought the free and reduced application system online. There is also a new requirement by the State to automatically submit the applications for students who are eligible for certain free meal programs. This should help improve the process as well.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2008

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings and questioned costs in 2007-08.

JOHN SWETT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2007-1: Segregation of Duties Over Cash Receipts</i>	We found in our audit of internal control over cash receipts that one person handles cash, posts the deposits, reconciles the bank account, and periodically makes the deposits. This lack of segregation of duties could lead to errors or irregularities.	30000	We recommend that another employee reconcile the bank statements and/or post the deposits to the accounts.	Implemented
<i>Finding 2007-2: Cafeteria Sales Reports</i>	A daily inventory of meals served is taken at each school site but is not reconciled to the daily sales report generated by the accounting system used by the Food Services department. The sales report does include a la carte sales but this does not account for the entire variance. This indicates an internal control weakness, as the District Office is not able to reconcile to inventory reports provided by the school sites. This could lead to errors not being detected on a timely basis or at all	30000	We recommend the Food Services department reconcile daily inventory reports generated by the school sites to the daily sales reports generated by the system. If a la carte sales are included in the system reports, they should be tracked separately so the District can accurately reconcile all free, reduced, and paid meals served each day. Reconciling the meals served to the sales report will help to ensure all meals and funds collected are accounted for on a daily basis.	Partially Implemented

JOHN SWETT UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

<i>Original Finding No.</i>	<i>Finding</i>	<i>Code</i>	<i>Recommendation</i>	<i>Current Status</i>
<i>Finding 2007-3: Associated Student Body (ASB) Fund Accounting</i>	<p>Our audit identified a couple of areas where internal controls over ASB fund accounting could be improved:</p> <ul style="list-style-type: none"> ➤ Rodeo Hills Elementary: We found that cash receipts are not being used and deposits are not always made timely (e.g., weekly). ➤ John Swett High: Revenue potentials and budgets are not used to plan, predict and monitor fund-raising revenues. 	30000	<p>We recommend that pre-numbered sequential cash receipts are used and that deposits are made timely at Rodeo Hills Elementary. We recommend that revenue potentials and budgets be used for major ASB activities at John Swett High School.</p>	Partially Implemented